

# FISCAL NOTE

**Bill #:** SB0108

**Title:** Revise laws governing independent contractors

**Primary Sponsor:** Lewis, D

**Status:** As Introduced - Revised

Sponsor signature	Date	David Ewer, Budget Director	Date
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## Fiscal Summary

	<b><u>FY 2006 Difference</u></b>	<b><u>FY 2007 Difference</u></b>
<b>Expenditures:</b>		
State Special Revenue	\$812,490	\$792,954
<b>Revenue:</b>		
State Special Revenue	\$820,000	\$820,000
<b>Net Impact on General Fund Balance:</b>	\$0	\$0

- |   |  |
|---|--|
| <input type="checkbox"/> Significant Local Gov. Impact    | <input checked="" type="checkbox"/> Technical Concerns           |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts           |
| <input type="checkbox"/> Dedicated Revenue Form Attached  | <input checked="" type="checkbox"/> Needs to be included in HB 2 |

## Fiscal Analysis

### ASSUMPTIONS:

#### **Department of Labor and Industry**

1. SB 108 revises requirements for certification for independent contractors.
2. The department estimates 10,000 Independent Contractor (IC) applications each fiscal year and independent contractors would apply for certification at the average of a two-year historical rate; in FY 2003 there were 8,215 and in FY 2004 there were 12,141 IC applications.
3. The IC fee will be set by rule at a level to generate revenue sufficient to fully fund the costs of operating the program including staff, the education program, and necessary computer development.
4. No penalties are assumed. (New Section 3)
5. Enforcement of this act would require six additional FTE, all grade 14 auditors.
6. One auditor would be employed in Helena, and the other five would be in Kalispell, Miles City, Bozeman, Great Falls, and Missoula. All out-stationed staff requires a Motor Pool vehicle (@ \$4,800/year) and must pay market rental rates of those cities. (\$24,000 for the vehicles plus \$19,422 for rent in 5 cities)
7. Other support services for the additional staff are based on the standard costs and installation for computers and phones, cost allocation plan (CAP) rates, one-time-only office furniture. (\$46,536 in FY 2006 and \$27,000 in FY 2007)

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8. The IC program would contract to design and implement a web-based computer system to handle the applications and history of the IC applicants. The OTO contract amount is estimated to be \$500,000 to spread over the biennium (if not longer) at \$250,000 each year of the biennium.
9. The IC program would spend \$185,000 each year on a statewide education component.

**FISCAL IMPACT:****Department of Labor and Industry**

	<u>FY 2006</u> <u>Difference</u>	<u>FY 2007</u> <u>Difference</u>
FTE	6.00	6.00
<u>Expenditures:</u>		
Personal Services	287,532	287,532
Operating Expenses	<u>524,958</u>	<u>505,422</u>
TOTAL	\$812,490	\$792,954
<u>Funding of Expenditures:</u>		
State Special Revenue (02455)	\$812,490	\$792,954
<u>Revenues:</u>		
State Special Revenue (02455)	\$820,000	\$820,000
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>		
State Special Revenue (02455)	7,510	27,046

**TECHNICAL NOTES:**

There is another bill - SB 64 - which moves the IC revenue from fund 02455 (Workers' Compensation Assessment) into fund 02346 (Contractor Registration revenue) of 39-9-206, MCA. If both SB 64 and SB 108 are successful, the revenue and expenditures must be shown in fund 02346; if only SB 108 is successful, the revenue and expenditures must be shown in fund 02455.